

MICHIGAN MERIT AWARD SCHOLARSHIPS



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FISCAL ANALYSIS

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SENATE BILL 926 (H-1)

Sponsor: Sen. John J. H. Schwarz

House Committee: Appropriations

FLOOR ANALYSIS - 5/21/02

Analyst(s): Hank Prince

SUMMARY

SB 926 (S-2) passed the Senate on March 20. It amended the Merit Award Scholarship Act to narrow student usage of the award to within two years of high school graduation or passage of the general educational development (GED) test and to require certification by September 30 of the academic year in which the student intends to use the award. These changes would generate cost savings in the range of \$15 million for the program.

SB 926 (S-2) also provided for an extension of the eligibility period for award usage from the proposed two years to up to an additional two years; the additional time would equal the time of service in the United States armed forces or Peace Corps. The Senate-passed bill would also require the Merit Award Board to annually inform the legislature of the number of graduating high school seniors who met the requirements of the scholarship.

Currently, the Merit Award accounting system establishes accounts payable for seven years for each graduating class; that period corresponds to the current permissible period of usage. In a change to the Senate-passed version, SB 926 (H-1) changes the Award usage time limit from the current seven years to four years and includes the Senate-proposed extension for military or Peace Corps service.

It would likely reduce state spending by some minor indeterminate amount for those students who initially enrolled in an out-of-state institution but intended to return to a Michigan institution to use the balance of the award for additional undergraduate education or for graduate school. Out-of-state enrollment limits the value of an Award to \$1,000 for that education, but the Award recipient could claim the balance of the Award (\$2,500 less the amount applied to an out-of-state institution) for in-state education within the time limit contained in section 7.

During consideration of Executive Order 2001-9, which reduced state spending for the current fiscal year, the Executive assumed total savings of \$55 million for the Merit Award Trust Fund. One-time savings of \$33 million was linked to adjustment of the accounting treatment of payables for the 2000 and 2001 high school graduating classes by restricting the calculation of the financial obligation to a single fiscal year rather than to all subsequent fiscal years. A revised estimate of the number of expected Award recipients for FY2001-02 resulted in savings of an estimated \$7 million. The final portion of the estimated savings (\$15 million) was linked to the certification deadline and usage time-limit changes contained in the Senate-passed version of SB 926. By proposing a usage time-limit of four years instead of two years, the House substitute (H-1) saves an estimated \$12.3 million in FY2002 instead of the State Budget Office estimate of \$15 million linked to the two-year usage limit.

HB 5880 (H-3), currently on the House calendar, also amends the Michigan merit award scholarship act but does not change the current time-usage limit from seven years to four years. It also adds passage of another MEAP subtest, social studies, as a requirement for the earning of a Merit Award beginning with assessment tests taken after the 2003-2004 school year. This additional requirement is not found in SB 926 (H-1).